



TO: ACCOUNTING OFFICERS OF ALL NATIONAL DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS
ACCOUNTING OFFICERS OF ALL MUNICIPALITIES AND MUNICIPAL ENTITIES
ACCOUNTING AUTHORITIES OF ALL SCHEDULE 2 AND 3 PUBLIC ENTITIES
HEAD OFFICIALS OF PROVINCIAL TREASURIES

INSTRUCTION: INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR ELECTRICAL AND TELECOM CABLE PRODUCTS

1. PURPOSE

- 1.1 The purpose of this instruction is to regulate the environment within which accounting officers (AOs) and accounting authorities (AAs) may procure electrical and telecom cable products which have been designated as products for local production and content.

2. BACKGROUND

- 2.1 The Preferential Procurement Regulations, 2011 ("the Regulations"), made in terms of section 5 of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000), which came into effect on 7 December 2011 make provision for the Department of Trade and Industry (dti) to designate sectors in line with national development and industrial policies for local production.
- 2.2 Regulation 9 (1) of the Regulations prescribes that in the case of designated sectors, where in the award of bids local production and content is of critical importance, such bids must be advertised with the specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 2.3 To this end, the dti has designated and determined the stipulated minimum threshold for local production and content for power and telecom cable products.

3. SECTOR DESIGNATION

- 3.1 The stipulated minimum threshold percentage for local production and content for the different types of electrical and telecom cables is 90%.

- 3.2 To ensure that local production and content is discharged on manufacturing activities, the following cables which have been designated must be included in bid invitations:

Electrical Cables: cables used for power transmission

Cable Products	Stipulated minimum threshold
Low Voltage	90%
Low Cost Reticulation	90%
Medium & High Voltage	90%
ACR	90%

Telecom Cables: cables used for telecommunications

Cable Products	Stipulated minimum threshold
Optical Fibre Cables	90%
Copper Telecom Cables	90%

- 3.3 Excluded in the designation are mainly primary steel, copper, aluminium, polyvinyl chloride (PVC), cross-linked polyethylene (XLPE), aramid yarn, and optical fibre used for fabrication of cable products. This is to encourage local manufacturers to seek the best global competitive prices for primary materials hence the competitive imported materials used in the manufacture of cables will be deemed to have been sourced locally for the purposes of calculating local content.

4. INVITATION OF BIDS FOR ELECTRICAL AND TELECOM CABLES

- 4.1 Bids in respect of electrical and telecom cables must contain a specific bidding condition that only locally produced or locally manufactured cables with a stipulated minimum threshold for local production and content will be considered.

- 4.2 AOAs must stipulate in bid invitations that:

- (i) the exchange rate to be used for the calculation of local production and content must be the exchange rate published by the South African Reserve Bank (SARB) at 12:00 on the date of advertisement of the bid; and
- (ii) only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 must be used to calculate local content

- 4.3 The local content (LC) expressed as a percentage of the bid price must be calculated in accordance with the following formula which must be disclosed in the bid documentation:

$$LC = (1 - x/y) * 100$$

Where

x is the imported content in Rand

y is the bid price in Rand excluding value added tax (VAT)

Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the SARB at 12:00 on the date of advertisement of the bid.

- 4.4 AOAs must clearly stipulate in the bid documentation that the SABS approved technical specification number SATS 1286:2011 and the Guidance on the Calculation of Local Content together with the Local Content Declaration Templates [Annex C (Local Content Declaration: Summary Schedule), D (Imported Content Declaration: Supporting Schedule to Annex C) and E (Local Content Declaration: Supporting Schedule to Annex C)] are accessible to all potential bidders on the dti's official website <http://www.thedti.gov.za> /industrial development/ip.jsp at no cost.
- 4.5 For the purpose of paragraphs 4.1, 4.2 and 4.3 above, the attached Declaration Certificates for Local Production and Content (SBD/MBD 6.2) must form part of the bid documentation. The SBD 6.2 is for use by all national and provincial departments, constitutional institutions and public entities listed in schedules 2, 3A, 3B, 3C and 3D to the Public Finance Management Act whilst the MBD 6.2 is for use by all municipalities and municipal entities to which the Municipal Finance Management Act (MFMA) apply.
- 4.6 AOAs must stipulate in the bid documentation that:
 - (a) the Declaration Certificate for Local Production and Content (SBD / MBD 6.2) together with the Annex C (Local Content Declaration: Summary Schedule) must be completed, duly signed and submitted by the bidder at the closing date and time of the bid; and
 - (b) the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy.
- 4.7 **Benchmark / market related prices**
 - 4.7.1 AOAs are required to ensure that reasonable or market related prices are secured for the cables / components being procured taking into account factors such as benchmark prices, value for money and economies of scale.
 - 4.7.2 For this purpose, AOAs may approach the dti to assist, where possible, with benchmark prices for the different classes and components of cables that have been designated for local production and content. The dti will be in a position to provide price references for the different products that have been designated for local production and content.
- 4.8. Bid specifications for the sub-sectors referred to in paragraph 3 above and the price benchmarking referred to in paragraph 4.7 above must be done in collaboration with the dti. Contact information in this regard is provided in paragraph 8 below.

5. EVALUATION OF BIDS FOR CABLES

- 5.1 A two stage evaluation process may be followed to evaluate the bids received.

5.1.1 First stage: Evaluation in terms of the stipulated minimum threshold for local production and content

5.1.1.1 Bids must be evaluated in terms of the minimum threshold stipulated in the bid documents.

5.1.1.2 The declaration made by the bidder in the Declaration Certificate for Local Content (SBD / MBD 6.2) and Annex C (Local Content Declaration: Summary Schedule) must be used for this purpose. If the bid is for more than one product, the local content percentages for each product contained in Declaration C must be used.

5.1.1.3 The amendment of the stipulated minimum threshold for local production and content is not allowed.

5.1.1.4 AOs / AAs must ensure that the Declaration Certificate for Local Content (SBD / MBD 6.2) and the Annex C (Local Content Declaration: Summary Schedule) referred to in paragraphs 4.6 (a) and (b) above are submitted as part of the bid documentation.

5.1.1.5 The dti has the right, as and when necessary, to request for auditors certificates confirming the authenticity of the declarations made in respect of local content.

5.1.1.6 AOs/ AAs must verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate for Local Content (SBD / MBD 6.2)

5.1.2 Second stage: Evaluation in terms of the 80/20 or 90/10 preference point systems

5.1.2.1 Only bids that achieve the minimum stipulated threshold for local production and content may be evaluated further. The evaluation must be done in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations, 2011.

5.1.2.2 AOs/AAs must ensure that contracts for cable products are awarded at prices that are market related taking into account, among others, the dti's pre-determined benchmark prices, value for money and economies of scale.

5.1.2.3 Where appropriate, prices may be negotiated with short listed or preferred bidders. Such negotiations must not prejudice any other bidders.

6. EVALUATION OF BIDS BASED ON FUNCTIONALITY

6.1 Whenever it is deemed necessary to evaluate bids on the basis of functionality, the prescripts contained in regulation 4 of the Preferential Procurement Regulations, 2011 and paragraphs 6 and 11 of the Implementation Guide must be followed.

7. POST AWARD AND REPORTING REQUIREMENTS

7.1. Once bids are awarded, the dti must be:

- (i) notified of all the successful bidders and the value of the contracts; and
- (ii) provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the Declaration C submitted by the successful bidders.

- 7.2 The purpose of the requirements of paragraph 7.1 above is for the dti to among others conduct compliance audits with a view to monitor the implementation of the industrial development strategies.
- 7.3 Contractors must not be allowed to sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- 7.4 Where, after the award of a bid, contractors experience challenges in meeting the stipulated minimum threshold for local content the dti must be informed accordingly in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.

8. CONTACT INFORMATION

- 8.1 Any enquiries in respect of Local Production and Content and all documents to be submitted to the dti must be directed as follows:

The Department of Trade and Industry
Private Bag X84
Pretoria
0001

For Attention:

Chief Director: Industrial Procurement
Tel: (012) 394 3927
Fax: (012) 394 4927

9. APPLICABILITY

- 9.1 This instruction applies to all national and provincial departments, constitutional institutions, public entities listed in schedules 2 and 3 to the PFMA and municipalities and municipal entities to which the MFMA apply.
- 9.2 This instruction applies to all bids (written price quotations and advertised competitive bids) in excess of R30 000.00 (all applicable taxes included). Products may not deliberately be split into parts or items of lesser value merely for the sake of procuring the products otherwise than through the directives contained in this instruction.

10. DISSEMINATION OF INFORMATION CONTAINED IN THIS INSTRUCTION

- 10.1 Heads of provincial treasuries are requested to bring the contents of this instruction to the attention of accounting officers and supply chain management officials of their respective provincial departments.
- 10.2 Accounting officers of national and provincial departments are requested to bring the contents of this instruction to the attention of accounting authorities and the supply chain

management officials of Schedule 3A and 3C public entities reporting to their respective executive authorities.

- 10.3 Accounting officers of municipalities and municipal entities are requested to bring the contents of this instruction to the attention of the supply chain management officials of their municipalities and municipal entities.
- 10.4 Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this instruction to the attention of the supply chain management officials of their public entities.

11. NOTIFICATION TO THE AUDITOR-GENERAL

- 11.1 A copy of this instruction will be forwarded to the Auditor-General for notification.

12. AUTHORITY FOR THIS INSTRUCTION AND EFFECTIVE DATE

- 12.1 The Minister of Finance has approved the issuance of this instruction in terms of regulation 9(2) of the Preferential Procurement Regulations, 2011 (published under Government Notice R502 of 8 June 2011).
- 12.2 This instruction takes effect on 13 May 2013.



KENNETH BROWN

CHIEF PROCUREMENT OFFICER

DATE: 8/5/2013